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Arizona investment pools said doing OK

PHOENIX - Other states have had runs of withdrawals from their public investment pools because of worries about their holdings in the mortgage industry but Arizona isn't in the same boat, state Treasurer Dean Martin said Friday.

Florida suspended investment pool withdrawals because a run by local governments spooked by downgrades of the state's extensive mortgage-based holdings. Montana also had a run.

State investment pools are similar to private moneymarket funds. Cities, counties, school districts and other local entities invest money on a short term basis in the funds and withdraw cash when needed to make payrolls and pay other operating costs.

Martin said Arizona reviewed its $12 billion state and local government investment pool when he took office in January and is sticking with a course of avoiding risky mortgage-related investments.

"My philosophy is safety first, then liquidity, then yield," said Martin, a Republican and former state senator.

Martin said the Treasurer's Office invests in highly rated mortgage-related products but has never purchased any dependent on subprime mortgages for repayment.

In reviewing its mortgage investments, Arizona did find at least one that had a few mortgages that didn't meet standards for higher-graded investment products, Martin said. Those short term investments haven't been renewed, he said.

Also, the Treasurer's Office started reducing its mortgage related investments in mid-2006 when Chief Investment Officer Tim White, whom Martin promoted to the position earlier this year, realized that the housing bubble was going to burst, Martin said.

Tom Bellshe, deputy director of the League of Arizona Cities and Towns, expressed confidence in the Arizona investment pool's status.

"We won't have the same kind of problems," said Bellshe. "We feel good about the direction he's taking us in."

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